Earnings Conference Call

Q4and Full Year FY2016

May 23, 2016

Management:

Mr. Akshay S Pitti, Vice Chairman and Managing Director

Mr. N R Ganti, Director

Mr. N. K. Khandelwal, Chief Financial Officer

Moderator: Good day ladies and gentlemen and welcome to Pitti Laminations FY2016 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. Joining us today on this call are Mr. Akshay Pitti – Vice Chairman and MD, Mr. N.R. Ganti – Director and Mr. N. K. Khandelwal – CFO.

Before we begin, I would like to mention that some of the statements made in today's call maybe forward looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation. I would now like to hand the conference over to Mr. Ganti. Over to you sir.

N.R. Ganti: Thank you. Good evening and welcome everyone to our Q4 and FY2016 earnings conference call. I have with me on call today Mr. Akshay Pitti – Vice Chairman and MD and Mr. N.K. Khandelwal – CFO. We hope that you have had a chance to review our results presentation which is also available on our website. I would like to start by providing an overview of the prevailing macroeconomic scenario followed by performance for the year including highlights of our key strategic and operational performance. We will then open the call for an interactive Q&A session.

Before discussing the financials for the quarter and full year, I would briefly discuss the performance of key macroeconomic indicator. India's Index of Industrial Production stagnated in March 2016, increased marginally by 0.1%, indicating that the apparent recovery visible in February was not sustained and overall there are no signs of an upswing yet. Reasons for muted growth are contractions in the mining and manufacturing sectors, slowdown in the consumer durable sector and worsening scenario in the capital goods sectors that shrank for the fifth month in a row. Manufacturing and mining sectors contracted 1.2% and 0.1% respectively. Electricity generation rose 11.3%, while capital goods sector contracted by 15.4%, which indicates the continued weakness of investment demand. The cumulative growth of industrial production for FY2016 is at 2.4%, marginally slow than 2.8% recorded in FY2015.

Performance of the company remained subdued in FY2016, which is reflection of the prevailing macro uncertainties and challenges. For FY2016 sales volume stood at 19,654 MT, of which domestic volume was 13,936 MT and export volume was 5,717 MT. Compared to that, for FY2015 total sales volume stood at 21,414MT, out of which share of domestic was 13,529MT and exports was 7,886MT. During FY2016 the domestic volume grew marginally by 3%, while the exports fell by close to 28%. The reason for overall decline in volume is challenging demand scenario which impacted the overall volumes especially exports.

The Company has reported total revenue of around Rs. 311 crores in FY2016. Of Total sales, domestic sales contributed 54% to over Rs. 169 crores, while export sales contributed 46% to about Rs. 140 crores. Other operating income is about Rs. 3 crores. Total revenue for FY2015 was at Rs. 341 crores, of which domestic sales contributed 50% to Rs. 171 crores, while exports contributed 49% to Rs. 165 crores. Other operating income was about Rs. 5 crores. So if you look at the year on year growth in revenue, we had a negative growth of 8.7%. Domestic sales while volume-wise is slightly higher but revenue wise it is lower by 1.3%. Exports sales revenue fell by around 15%. EBITDA for FY2016 was about Rs. 19 crores as compared Rs. 41 crores to FY2015, registering a fall of 55.6%. EBITDA margins for FY2016 was at 6% compared to 12.4% in FY2015. Margins impacted by significant decline in export volumes and lower realization on scrap sales. Higher employee addition in anticipation of better demand also impacted operating profit. The company reported a net loss of Rs. 9.6 crores in FY2016 compared with net profit of Rs. 9.3 crores in FY2015. Overall profitability was impacted due to lower operating profits and increased working capital cycle. As we go along part of this gets explained in due course.

Moving to performance of Q4 FY2016, sales volume was at 4,889 MT compared to 6,016 MT in Q4 FY20155, reflecting a y-o-y decline of 18.7%.In the domestic market, we recorded 3,616 MT volumes in Q4 FY2016 as compared to 3,269 MT in Q4 FY2015. We had a 10% growth in domestic market. Exports volume declined by 53.7% to 1,273 MT as opposed to 2,746 MT in Q4 FY2015.Export orders were deferred to some extent then part of that is made up by additional orders from domestic markets. This is basically due to the challenging global demand scenario. Revenue stood at Rs. 76.9 crores compared to last year Rs. 103.86 crore which is about 26% lower. Domestic sales were about Rs. 41.0 crores as opposed to Rs. 41.7 crores of last year, which is about 2.3% lower. Exports were Rs. 35 crores as compared to Rs. 60 crores in Q4 FY2015, which is lower by 42%. Other operating income was Rs. 1 crore as compared with Rs. 1.6 crores in Q4 FY2015, which is a marginal decrease. EBITDA declined 74% to Rs.2.97 crores as compared to Rs.11.81 crores in Q4 FY2015. Margin was just 4.9% for Q4FY2016compared to 14% of Q4FY2015. EBITDA margins were impacted due to increased employee cost. We were actually concurrently running Pune and Plant 1 in Hyderabad. Pune employee cost had gone up by nearly 30%, while Plant 1 employees were also on payroll while the production was minimal there. And lower realization on scrap as the prices declined unexpectedly. It is significant fall, close to 40% from beginning of the year to the end of the fourth quarter of the year. Profit after tax for Q4 FY2016 was Rs.4.3 crores negative as compared to Rs.4.6 crores of profit for Q4 FY2015. Again like as I mentioned, it is due to a lower operating profit and increased working capital cycle.

Leverage profile still continue to be comfortable with current capital structure, as of 31st March 2016 total debt is Rs. 162.6 crores including Rs. 26.1 crores of long term debt and Rs. 136 crores of short term debt. Cash and cash equivalents of Rs. 18.2 crores, which resulting in a net debt position of Rs. 144.4 crores. Net worth is about Rs.106.9 crores, as of March 31st 2016. Total debt equity ratio is about 1.5x. We do consider it to be on border of conservative leverage profile.

Coming to the outlook for the coming year, the industry continues to face challenges due to weak demand situation and higher cost of funds for the business. Our RM prices have stabilized, that is a good news and in fact slightly increased in last few months giving reasonable assurance of bottoming out. The cycle of rising prices will be positive for the operating margin in the near term. We anticipate moderate improvement in the first half in next fiscal and expect to see recovery in performance for the second half of FY2017. The factors driving growth in near term includes better product mix, more high value product improve profitability despite flattish volume growth, deficiency enhancement across all the plants and near optimal utilization of Pune plant. Ongoing cost rationalization initiatives and importantly firming up of scrap prices are expected to improve our performance in the coming quarters. We expect improvement in Industrial activity in the coming quarters. Government's efforts to debottleneck investment coupled with early signs of pickup in urban demand will also support our growth.

Major opportunities that we foresee is General Electric and Alstom have won contracts with a combined Rs. 5.6 billion to supply India's Railways with new locomotive for modernization. Alstom will supply 800 electric locomotives and will also build a factory in the Eastern State of Bihar. Total value of the contract and the new factory is about Rs. 200 billion, that is roughly $3 billion. GE will provide the Railways with 1,000 diesel locomotives over the next 11 years, will also invest $200 millions in plant and maintenance sheds in a deal worth $2.6 billion. The contracts have two of the first and the largest to be awarded to foreign firms since India last year allowed 100% foreign direct investment in certain sectors of Railways. As you are aware we are the approved and preferred vendor for both of these companies.

I would like to open now the call for the question and answer session. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ritesh Mistry from MoneyBee, please go ahead.

Ritesh Mistry: First question is regarding employee, currently in Pune plant now how much employee we have?

Akshay Pitti: We have about Rs. 35 lakhs to Rs. 40 lakhs of employee cost in Pune right now per month.

Ritesh Mistry: In Hyderabad that Plant 1, how many employee reductions we have done?

Akshay Pitti: Entirely. Plant 1 has entirely been chopped off now.

Ritesh Mistry: Sir regarding the order book, what is our order book position right now?

Akshay Pitti: Ritesh I just want to clarify one more thing; in Plant 1 we had approximately Rs. 60 lakhs of cost per month earlier which we will not incur now.

Ritesh Mistry: And Sir regarding order book, what is our order book right now as of today?

Akshay Pitti: See with GE we will continue to have our 3-year contract roughly worth Rs. 600 crores and that is still continuing. There are some rescheduling in that but overall we will still fulfil that order. In the domestic front, we look to do about 15,000 MT of lamination sales this year.

Ritesh Mistry: And in export approximately?

Akshay Pitti: About 6,000 MT.

Ritesh Mistry: So maybe around total turnover wise, if we see it volume wise it is same as around FY2015.

Akshay Pitti: Yes about the same as FY2015.

Ritesh Mistry: And in our business, do we need to keep any retention money with the client?

Akshay Pitti: No.

Ritesh Mistry: Sir a couple of book keeping questions; one is debtors. Bifurcation of debt more than six months and less than six months for FY2016and if you could provide an inventory data like working progress, raw material inventory and finished goods inventory for FY2016.

Akshay Pitti: As of now Ritesh, we cannot give you this data over the call. You can reach out to our team and they will surely send across the data. It should be part of the balance sheet data in any case.

Ritesh Mistry: One more question is regarding what is our average debt cost?

Akshay Pitti: Average debt cost for export funding is about 4.5% to 5% and for domestic it is about 12%.

Moderator: Thank you. Next question is from the line of Shashank Kanodia from ICICI Securities, please go ahead.

Shashank Kanodia: I just wanted to ask; you have been present in this cyclical industry for past few decades, so what exactly went wrong this time, scrap prices should have been up and down, the raw material cost should have been up and down in the past. So how exactly situation is such bad this time given you have reported the worst ever performance this year, there is last 10 years of data if you see?

Akshay Pitti: If you go back even 20 years, I do not think we have seen such a steep fall in both of these ever. I mean in my life I have never seen this kind of fall in scrap or raw material. It has always seen a marginal increase, marginal drop at best 2% to 3% plus minus in a full year but in this year under review the scrap prices fell by 40% which is unprecedented.

Shashank Kanodia: So do you see as a management, had a risk taking measure meaning you should have this price variation clause stepped out initially at time of conceptualization of contracts with the customers, are we late on this mitigation factor?

Akshay Pitti: See in the industry nobody does this, so we cannot move away from the industry practice. In industry practice it is always a raw material price which is taken. Scrap fluctuations are normally to the supplier's account but that was because nobody ever saw these kind of scrap value fluctuations happened in the past. Now this is the first time we have seen in this industry this kind of fluctuation and going forward we are working with customers to incorporate within to our price variation clauses (PVCs), not just us all the lamination manufacturers.

Shashank Kanodia: Could you please throw some color up on this new price variation clause, how does it protect our margin systems?

Akshay Pitti: See the same old price variation clause that we have, only one new additional line item would be added on the scrap value but this is not with all the customers. As of now, only 4-5 customers have agreed to this, which are our larger customers like Siemens, GE, Cummins. It is going to take some time to get all the customers on board with it.

Shashank Kanodia: And these customers have agreed to this PVC what percentage of top line will be formed?

Akshay Pitti: They would constitute about 60% to 65% of our top line.

Shashank Kanodia: Then what kind of margin do you foresee in the coming year for us given that we have already done with a onetime severance package for a unionized workmen and shifted our operations to Pune, so what kind of margin can you foresee?

Akshay Pitti: We should be back to 12% to 13% EBITDA range, the way we were in FY2015.

Shashank Kanodia: So can this start from the Q1 of FY2017 itself or will happen in the fag-end year?

Akshay Pitti: It will happen progressively as time goes by because more customers get on board the new PVC clause plus we are looking at raw material prices increasing sequentially again in this year, the way they had fallen last year giving certain more additional relief to the company.

Shashank Kanodia: Sir on the GE order front, is there any updates, have the order picked up on the GE front?

Akshay Pitti: Pickup has started, if you see Q4 it was a very strong performance from exports.

Shashank Kanodia: Q4 was almost flat right, while quarter-on-quarter we have seen a de-growth on Y-o-Y basis.

Akshay Pitti: No if you see our Rs. 75 crores of revenue in Q4, Rs. 35 crores is from exports. So if you see quarter-on-quarter it is almost 50% up, we did Rs. 26 crores, so

Q4 was good. Q1 will be slightly subdued for export sales, Q2 onwards we should be seeing good sales volumes once again in exports.

Shashank Kanodia: So are we optimistic of closely Rs. 200 crores of export turnover this year.

Akshay Pitti: I would say about Rs. 175 crores, not Rs. 200 crores because let us be cautious after such a bad year rather than be very optimistic.

Shashank Kanodia: So it will have 6,000 MT of volume.

Akshay Pitti: We will have 6,000 MT in lamination business and the machine casting business is very strong, in fact this year the revenue predominantly came from the machine casting sales so that is also very strong.

Shashank Kanodia: So what about stator volumes?

Akshay Pitti: Stator frames we are expecting about 350 to 400 numbers in this year vis-à-vis a 100 numbers of last year.

Shashank Kanodia: So stator frames expected from 350 to 400, the visibility is such strong in this segment?

Akshay Pitti: Yes.

Shashank Kanodia: And sir how is the realization trend on the upper end front as well as the scrap and the raw material prices?

Akshay Pitti: See raw material prices have increased in Q1 FY2017 by about $100 odd. If you also follow the news Dow Steel is increasing prices, again an unprecedented manner. The way the prices fell prices are rising now. So with the rising prices the scrap automatically rises again. So this negative impact that we had last year quarter-on-quarter raw material price decreasing and our selling price has been adjusted to the lower price you will have a reverse trend this year but unfortunately we are not holding the same levels of inventory that we had last year. So maybe we will not earn that much.

Shashank Kanodia: And what would be your volume guidance for FY2018?

Akshay Pitti: For FY2018 I would think about 24,000 tons.

Shashank Kanodia: That will be tilted more in favor of exports when GE will have...?

Akshay Pitti: I would say it would be balanced.

Shashank Kanodia: And Sir all these new projects of locomotives we set-up in the State of Bihar, so when do you expect the projects to be commissioned and the orders to actually flow to Pitti Laminations?

Akshay Pitti: See we are already supplying those products for their North American requirement. So for the first one year you will not see any additional business coming in which is the current year. From January of 2017 onwards we shall start supplying product to the US facilities wherein the product will be assembled in US and shipped to India. From calendar year 2018 onwards the serial production will start in India and our product will be shipped to India, so for one-year kind of a period in between our exports will increase and then exports will drop and turn into domestic sales.

Shashank Kanodia: So in FY2019 probably we will have these new projects getting streamed for Pitti Laminations, right?

Akshay Pitti: In FY2018 itself you shall start seeing the impact because from January of 2017 we shall start supplying our products for the US build requirement because they have a contract clause where it says that they can shift the locomotive from their mother facility in US to India for one year and then subsequent to that they have to start manufacturing the domestic facility.

Shashank Kanodia: Sir on the working capital front, your working capital has deteriorated quite a bit, for 130-odd days you extended to 170days, so given the fact the exports are down we fail to understand why are your receivables so high at the end of the year?

Akshay Pitti: Receivables are high because there was some slowdown in the pickup from GE, like when they pick up the material and they use it for their consumption and they pay us when they pay us. So the point is that when we saw the slowdown in the consumption, we cut down our dispatches to them. This is why the export sales are down, otherwise we have POs, we can actually dispatch much more than what we sold to them.

Shashank Kanodia: Since that is the point that you are making, if exports are down why would your receivables increase given that maximum amount of working capital gets locked into exports?

Akshay Pitti: It is not just the exports, it is entire supply chain right? The six months' supply chain on raw material which is contracted. One month of manufacturing, two months of raw material in stock and three months on order with suppliers. When the exports drop suddenly the entire back channel of the supply chain comes and lands in my inventory.

Shashank Kanodia: So your inventory should increase? Even the inventory has increased, why would debtor increase?

Akshay Pitti: You are talking about the export receivables or the domestic?

Shashank Kanodia: Both end, I am talking about the combined receivables, debtors has increased from Rs. 102 crores to Rs. 112 crores, right?

Akshay Pitti: See that is also to do with the product mix and the customer mix, in the domestic if there is an increase it would be probably because of the credit term with various customers. Some customers are on 45 days' credit term, some are on 90 days, some are on 130 days. So the domestic side could be explained on that basis, the export side the debtors would have increased because of the pickup being slowed down at GE, they slowed down the payments of the material based on their consumption.

Shashank Kanodia: GE also slowed down on the payments, right?

Akshay Pitti: Yes, they slowed down on the payments based on their consumption.

Shashank Kanodia: So in the domestic side, are you witnessing some stress in the market given that your receivables are so high?

Akshay Pitti: No, in fact domestic I think our collections are very good. We don't have a single debtor which is above 4 months and that is also the agreed payment terms with the customer.

Shashank Kanodia: Sir on the inventory part, on the last con call you guided up that we have cut down on inventory levels to about 12,000 MT per quarter, right?

Akshay Pitti: Yes.

Shashank Kanodia: So now why would then your inventory be so high vis-à-vis y-o-y if your sales are dropping and you are kind of into macro management of inventory?

Akshay Pitti: In tonnage terms it has cut down, we are holding more finished goods in our inventory than raw material. See whatever the raw material was contracted we have used it and converted it into finished goods because the operating level was low, we had to utilize our capacity to do something right? So we converted it into finished goods and we have kept it with us. So in value terms it has increased because all the value addition takes place and value-added at a higher level.

Shashank Kanodia: So is there any scope for working capital improvement going forward in FY2017 and FY2018?

Akshay Pitti: As we liquidate finished goods, we will have an improvement in the working capital cycle.

Shashank Kanodia: So are you targeting something like x number of days that you are targeting about?

Akshay Pitti: See it all depends on the product mix, I do not target x number of days, my target is to keep it within the agreed working capital cycles of each customer. Now eventually if it works out to 120 days or 60 days I am not much bothered with that aspect. As long as the agreed cycle with the customer is maintained.

Shashank Kanodia: Because sir if you maintain high inventories you have to incur large amount of interest cost also, right? So would it not be prudent enough for the company to have a certain targeting set for a net working capital days?

Akshay Pitti: We have a target, it is not for the entire company, it is at the customer level. So for illustration if you take a customer like Siemens, where we have 130 days of credit, so it is 130 days of credit plus one month of manufacturing and two months of raw material. So the total cycle time with the customer is 215 days and we have say about 90 days of raw material credit from the suppliers. So for Siemens we put a target of 135 days, so we try to stay within 135 days. Similarly, if you take a customer like Cummins where we have 45 days' credit terms, the raw material cycle will be the same, so two months of raw material inventory, one month of manufacturing, the credit cycle and the working capital cycle with Cummins we would expect to be 45 days. So my target is on a customer level. If product mix dictates the company level cycle to come out to 130 days, I am comfortable with that. That information I do not have with me right now.

N.R. Ganti: One more thing Shashank. The pricing factors into account, the credit period given and the cycle that we need to have. So it is not as though there is inefficiency there and therefore we lose out on that. It is a conscious decision. Suppose somebody needs 120 days' credit, the price is accordingly adjusted to that.

Shashank Kanodia: And Sir our installed capacity as of now is 32,000 tons or 36,000 tons?

Akshay Pitti: It is 36,000 tons.

N.R. Ganti: It depends on product mix Shashank.

Akshay Pitti: Stated capacity is 36,000 tons, you are right.

Shashank Kanodia: So sir given the fact that you are guiding us for (+12%) kind of EBITDA margins, so do you presume that we might surpass FY2015 numbers given that in FY2015 our volumes are almost similar levels and you have good stator volumes in hand?

Akshay Pitti: Yes, I would say that we can look at the FY2015 kind of numbers for FY2017.

Shashank Kanodia: Okay and what about the credit ratings, have those people revised the credit rating given that the balance sheet debtors and the leverages have gone up?

Akshay Pitti: Not yet, I am assuming they would be revising it now once we commence the data to them. As of now we are still A- (A minus) rated.

Shashank Kanodia: And operational CAPEX spend which we will be envisaging for FY2017 or FY2018?

Akshay Pitti: We are planning Rs. 2 crores of balancing equipment and modernization. We are not planning any significant CAPEX this year.

Shashank Kanodia: And Sir has the Pune plant been stabilized enough for starting production?

Akshay Pitti: It is fully operational. It is at full capacity.

Shashank Kanodia: And Sir recently this government in February 2016 come with a MIP on steel right, HRC so was there any effect to us in terms of raw material cost increase so end product price increase?

Akshay Pitti: If it helps them stabilize the raw material prices and probably drive them up now, so that actually helped us but the impact of that we are only seeing from April onwards like towards end of March if I were kicking in but we only have for quarterly contracts with our suppliers so the affect for us is only from April onwards and any increase in raw material prices actually is beneficial for us.

Shashank Kanodia: And Sir how are the demand outlook for domestic, are you seeing some pick-up some segments?

Akshay Pitti: See Wind Power segment has done extremely well for us last year. Going forward we feel to continue to perform well. Large Power generation is doing well again, we are seeing about, customers like Andritz and Voith adding additional orders to us. Industrial motors are slow and sluggish. High tension motors are doing well. So, basically the large motors, large power plants and wind are performing well and the onsite generation like Cummins and other customers who make diesel generators, those are doing well.

Shashank Kanodia: And Sir given that we had some losses in this year, are there any tax benefits which can accrue towards FY2017 and FY2018 or are we supposed to pay full tax rate 33%?

Akshay Pitti: I think when we put the PBT; the tax benefit is taken in the current quarter as per accounting standard.

Shashank Kanodia: So, going forward Fy20'17 and 2018 it will be full corporate tax years 33%?

Akshay Pitti: In reporting yes, when we report the number it will be there. In terms of funds flow it will be a saving.

Shashank Kanodia: Sir what was the salary drawn by the promoter group in this financial year FY2016? Last year it was Rs. 2 odd crores, promoters plus the key management person?

Akshay Pitti: Key management person I cannot comment, if you just want to see the promoter, me and my dad who is the Chairman that would be under Rs. 70 lakhs.

Shashank Kanodia: Rs. 45 lakhs each as per the annual report.

Shashank Kanodia: Okay, I just wanted to get to the point was there any salary cuts in the senior management at the promoter level this year, given the performance was very subdued?

Akshay Pitti: No, we decided to cut down on the total number of the headcount rather than cut down on the salaries.

Shashank Kanodia: Sir FY2012 was a bumper year for us right, in terms of export volumes, in terms of margins and every tonnage right. So what exactly do you foresee and what positive needs to happen for us to repeat that kind of performance?

Akshay Pitti: I think all the sectors in the domestic economy needs to start hitting on all the cylinders as well as at an international level the prices of mining commodities like iron, coal, they need to start going up, oil price has to go to a level where exploration for new oil becomes viable. If you see our products that we supply to General Electric, they are basically into two categories – one is for moving off mining product which is in the transportation segment and the other is for motors for oil and gas exploration as well as mining. So, both of these sectors are driven by eventually a mining and oil &gas. So if oil price goes up then coal becomes economically viable at a certain price point, so then there is a huge transportation of coal taking place in North America and therefore more railway products are required.

Shashank Kanodia: And sir lastly on the debt front, so are you seeing your absolute debt numbers going down in FY2017or FY2018?

Akshay Pitti: Yes, we are seeing the absolute debt numbers going down in FY2017.

Shashank Kanodia: Okay any quantum which you could specify or anything that you have in mind?

Akshay Pitti: See on the long term debt we have already decreased about Rs. 10 odd crores in this year and will continue to decrease. On the working capital the excess inventory which was there is now tackled with and is lying in finished goods form, in value terms it will not decrease the debt as it gets liquidated that will also disappear but all depends on the type of operation that we have. If we have a higher value domestic product going, if the raw material prices go up, so then our total sales will go up resulting on a higher debt. So, raw material prices go down, then our revenue will go down resulting in a lower debt one-off. Operational efficiency level we see the total debt going down but in the number term it is dependent on the pricing of steel.

Moderator: Thank you. Next question is from the line Anand Jhawar from JM Financial. Please go ahead.

Anand Jhawar: Just one clarity I needed, you said that Rs. 60 lakh of cost saving per month is that correct, per month are we talking about Rs. 60 lakhs?

Akshay Pitti: Yes, Human resource cost you mean right, the manpower cost from Plant 1 reduction.

Anand Jhawar: So, that is the manpower cost, so what about the plant itself being shut because there was a strike I believe which got resoluted and I think Rs. 2 crore was the amount that you had to pay?

Akshay Pitti: That is the amount of money that we have provisioned for full and final settlement for the unionized workmen. Apart from the unionized workmen the other manpower which was there as well, totalling to a Rs. 60 lakh cost per month, the operating cost of Plant-1 was Rs. 60 lakh.

Anand Jhawar: Great, so going forward at least this cost will be taken care off.

Akshay Pitti: Exactly. So, if you see Q4 it impacted not only about the Rs. 60 lakhs additional cost per month but also the Rs. 2 crores of provision that we have to make for the payment as per the 12(3) settlement with the government for shutting down the plant.

Anand Jhawar: You have mentioned 2018-19 where you are hopeful that you will translate into orders from GE and Alstom but apart from these two which is obviously visible at this point, obviously a pickup in railway would help you to get some more orders?

Akshay Pitti: Domestic railway or the North American railway?

Anand Jhawar: No, the domestic railway. I believe the big push even from even you guys is what I sense is that the domestic market which seems more favorable?

Akshay Pitti: In the domestic railway market we do not do anything other than with GE and Alstom. Indian Railways we do not work with them, we work with GE and Alstom. So, when their business Indian Railways will start up only then we shall be able to do something on the domestic railway side.

Moderator: As there are no further questions from the participants I now hand the conference over to Mr. Ganti for his closing comments.

N.R. Ganti: Thank you everyone for participating. In case you need any clarity or further questions you can always reach out to us. Thank you.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Pitti Laminations that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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Note: This transcript has been edited to improve readability